

2026 Autumn Budget

A summary of the headline announcements

George Hay
Chartered
Accountants

The Chancellor presented the Autumn Budget on 28 October 2026, setting out the Government's tax and spending plans in the months ahead.

With a focus on creating 'breathing space' for families and households across the UK, John Healey set out measures affecting energy and motoring costs, taxes and savings, as well as a roadmap for fiscal devolution.

The impact of the Budget for most people will depend on how they receive income, and not simply how much they earn. Household support may provide immediate relief for some, but individuals with taxable savings interest or rental income face higher tax from April 2027.

We set out below a summary of the key tax changes announced.

To discuss any of the changes covered in this summary, please make contact with your usual George Hay adviser, or one of our tax specialists.



Barry Jefferd FCA CTA TEP
Tax Partner
E: barry.jefferd@georgehay.co.uk
T: 01480 426500



Jamie Spender CTA FCCA
Tax Director
E: jamie.spender@georgehay.co.uk
T: 01462 708810

Income Tax

Income Tax on savings and property income

Two key changes were announced in the 2026 Budget to income tax rates:

- Property income – to increase the tax rate on property income by 2% across all thresholds from 6 April 2027
- Savings income – to increase the tax rate on savings income by 2% across all thresholds from 6 April 2027

With rates already set to increase from 6 April 2027 as announced at the previous Budget, this additional increase sets the effective rates for both property income and savings income as follows:

Tax band	Threshold of band	26/27 rates	27/28 rates
Personal allowance	£0 - £12,570	0%	0%
Basic rate band	£12,570 - £50,270	20%	24%
Higher rate band	£50,270 - £125,140	40%	44%
Additional rate band	£125,140 +	45%	49%

Whilst not announced at the Budget, it is expected that the "loan interest restriction" for mortgage interest paid on residential properties will also increase to 24% in line with the increase to the basic rate of taxation.

These measures are expected to raise the following tax revenues:

- 27/28: £160m
- 28/29: £1.13bn
- 29/30: £955m
- 30/31: £1.00bn
- 31/32: £1.05bn

ISA changes

It was announced at Budget 2025 that the maximum permitted savings into a cash ISA for under-65's would be reduced from £20k per annum to £12k per annum from 6th April 2027. Any income from cash ISA savings in excess of this amount would be taxable on the individual.

Budget 2026 reversed this change to maintain the threshold at £20k from 6 April 2027 ensuring that individuals of any age can continue to save up to £20k in either cash ISAs or stocks and shares ISAs.

Capital Gains Tax (CGT)

Business Asset Disposal Relief (BADR)

From 6 April 2027 the lifetime limit is being reduced to £500,000 from its current limit of £1,000,000. This relief is available on certain qualifying disposals for sole traders, partners and shareholders of trading companies.

GH comment

With the rate for BADR having been increased in recent years to 18% the maximum saving against the normal rate of CGT of 24% is now only 6% of £500,000 = £30,000.

Founders' Relief

The Chancellor announced a new relief "Founders' Relief". He said this was to reward start-up investors with a rate of 10% on the first £10m gains. At the time of writing, we do not have detailed rules, only a draft technical consultation setting out the current thoughts of the Government.

Individual conditions

- Own 25% of the company at the point the company was formed
- Have held shares for five years
- UK tax resident for last five years
- Relief available to all shares if further shares are acquired

Company conditions

- Be subject to Corporation Tax
- Trading companies with some exemptions
- No major change in nature of trade
- Turnover of at least £10m in accounting period before disposal
- Must employ 15 full-time employees
- Must have demonstrated growth via two of the following:
    - Annual average compound growth in turnover of 25% across three consecutive accounting periods within the 10 years before disposal
    - Annual average compound growth of at least 25% in qualifying full-time equivalent employees across three consecutive accounting periods within the 10 years before disposal
    - Must have spent £15m on qualifying R&D within the last three years

GH comment

Whilst it is appreciated that this is only a consultation document, there are extensive conditions to be met, and the number of taxpayers who can benefit is considerably lower than might have been assumed from the Chancellor's speech. The need to have £10m turnover and 15 employees rules out many companies, and those that meet those tests also have to meet the growth conditions. It should also be noted that this does not apply to sole traders and partnerships.

Pensions

The 2026 Budget brought a number of changes around pensions and taxation. The headlines around changes to pension taxation were:

- The introduction of a new "Pension Tax Allowance" from 6 April 2027 impacting pensioners whose main source of income is the state pension
- The removal of the "two-year rule" for the taxation of pension and lump sum death benefits from 28 October 2026

These will be welcome reforms to pensioners and descendants inheriting pension funds.

Pension Tax Allowance

This measure was introduced to be effective from 6 April 2027 with a current end date of 5 April 2030, so impacting the tax years 27/28, 28/29 and 29/30. This measure acts as a tax reduction for people who are above State Pension age, or who reach State Pension age within the tax year.

If income is less than the full annual value of the new State Pension, then the Pension Tax Allowance will fully exempt the taxpayer from income tax. Importantly, the relief applies regardless of the income source (i.e. pensions, employment, interest, dividends etc are all included).

Due to the historic freezing of the personal allowance at £12,570 (expected to be maintained up to 5 April 2031), State Pension has now risen to a level where the full annual State Pension is above the personal allowance. With the full new State Pension being £13,036 for the 27/28 tax year this would leave pensioners in a position where tax would be required on their state pension. The introduction of this measure is a welcome relief to state pensioners to reduce the requirement to pay income tax on the amount received and reduce administrative burdens.

Where an individual has other income sources in addition to their State Pension, they will still receive some Pension Tax Allowance if their total income is below £13,319. Between the thresholds of £13,037 and £13,319, the allowance is reduced by £1 for every £3 that this limit is exceeded, so is fully removed once income exceeds £13,319.

The threshold will be revised each year in line with the new thresholds for the full annual State Pension as it is increased in line with the Triple Lock.

GH comment

It is expected that this measure will cost £285m over the three-year period but the reduction in administrative burden on low-income pensioners will be favourable news to them. However it does mean that on income within the relief band, the marginal rate of tax is 20.66% on employment income and 32% on property and savings income.

Two-year rule for pension death benefits

Currently where an individual passes away and their pension is inherited by descendants there is an exemption from income tax where the member passed away under age 75.

However there has historically been a requirement to pay out the pension benefits within two years of the date of death of the member to preserve this income tax exemption.

At the 2026 Budget it was announced that this two-year rule would be removed to allow income tax exemption to continue beyond this period.

GH comment

With the upcoming changes to bring inherited pensions within the scope of inheritance tax from 6 April 2027, this is expected to bring additional complexities which will delay the administration of Estates and the ability to pay out pension funds. The relaxation of this two-year rule is a logical step to ensure that pension beneficiaries are not negatively impacted due to delayed administration resulting from inheritance tax.

This measure is to be introduced for all payouts from 28 October 2026 and is expected to cost £15m per annum.

First Time Buyers

First Time Buyer (FTB) ISA

From April 2029, a new First Time Buyer (FTB) ISA will replace the Lifetime ISA (LISA) for new savers. It will offer a 25% government bonus, paid when savings are withdrawn to buy a first home worth up to £450,000. The maximum bonus will be £20,000.

Existing LISA holders can keep paying into and using their accounts under the current rules. The government will also reduce the withdrawal charge for those buying a first home above the £450,000 limit.

From midnight on 29 October 2026, the withdrawal charge for buying a home above the LISA price limit will fall to 20%. The charge for unauthorised withdrawals will stay at 25%.

Your First Home Scheme

The Government is introducing a £4.7 billion scheme (£0.7 billion in the first year and £1 billion in each year for the next four years) to help 70,000 first-time buyers through equity loans of up to 20% of the purchase price. Buyers will need a smaller deposit and pay no interest on the equity loan for five years, saving a typical buyer hundreds of pounds a month.

Eligible buyers will need:

- a deposit of at least 2.5% of the purchase price
- a repayment mortgage from a participating lender
- a government equity loan of 20% of the purchase price, interest-free for five years

Buyers will normally need to:

- be a first-time buyer
- buy a new-build home in England within the local price limit
- use the property as their main home
- have a total annual household income of no more than £110,000 outside London or £140,000 in London
- qualify for a mortgage from a participating lender

Applications are expected to open in February 2027. Details of eligible homes, participating developers and lenders, and how to apply will be published beforehand.

Business and Enterprise Taxation

A number of tax measures were announced to impact UK businesses and stakeholders of the business:

Capital Allowances

When a business invests in capital assets for use within the trade it is entitled to claim "capital allowances" over a defined period.

Two key changes to capital allowances were as follows:

- First Year Allowances (FYA) – FYA was introduced on 1 January 2026 to allow 40% tax relief on any qualifying capital expenditure in the year of purchase. This relief is to be extended to 50% from 1 January 2027
- Writing down allowances (WDA) on main pool – for assets within the "main pool", allowances can currently be claimed at 14% reducing balance per annum under WDAs. From 1 April 2027 this is to be reduced down to 12%

GH comment

As most businesses claim the Annual Investment Allowance of £1m at 100% relief, these changes will not have much of an impact, except for cars.

Bank Corporation Tax surcharge

Banks currently pay a 3% surcharge on Corporation Tax to give an effective tax rate of 28% on profits. It was announced at Budget 2026 that this surcharge would be increased to 6% for the 15 months commencing 1 January 2027, giving an effective rate of 31%.

Research & Development (R&D) Tax Reliefs

Currently a company claiming R&D reliefs is required to make a Claim Notification in advance of submitting the R&D claim. Quite often this Claim Notification is required very soon after the company year end, providing a barrier to making claims.

The requirement to submit a Claim Notification will be removed from 1 April 2027 allowing greater access for companies to claim in respect of earlier periods.

Enterprise Management Incentives 2 (EMI2)

A new "EMI2" scheme was announced to be introduced from 6 April 2027. Whilst smaller independently owned companies were able to use the existing EMI scheme, larger companies were limited to using the "Company Share Option Plan" (CSOP) scheme to incentivise employees.

Under this scheme a company can issue up to £60k of options to purchase shares to employees. Provided that the employee is required to pay unrestricted market value on the grant date for the shares, they will be exempt from income tax and NIC on a future exercise. To be qualifying, the CSOP shares must have been held for three years and must be exercised within 10 years to remain exempt from income tax.

From 6 April 2027, the new "EMI2" scheme is to be introduced to replace the CSOP schemes. This will extend the CSOP schemes in the following ways:

- Extend the qualifying options from £60k to £120k
- Extend the qualifying period from 10 years to 15 years

This allows larger companies to continue to be able to incentivise UK employees by way of equity to participate in the company growth.

Employee Share Schemes – enhanced flexibility and reduced notification requirements

Various changes were introduced to take effect from 6 April 2027 to allow greater flexibility under the existing EMI schemes. The period in which individuals can exercise share options following a disqualifying event is extended from 90 days to 180 days to allow greater flexibility. In addition, companies transitioning to an Employee Ownership Trust structure will still maintain access to EMI schemes.

There was also a removal of the notification requirement of an issue of new EMI options. Currently companies are required to make a notification that new options have been issued within 90 days to preserve the tax beneficial status. From 6 April 2027 any new issues can be included within the end of year annual return.

GH comment

These changes give increased flexibility and reduced administration to companies wishing to incentivise key members of staff by way of tax beneficial share options.

Other business measures

National Living Wage & National Minimum Wage

The Chancellor announced increases to the National Living Wage and the National Minimum Wage to support working people.

From 1 April 2027, the National Living Wage will increase by 3.9% to £13.21 per hour. This means somebody working a 35-hour week on the National Living Wage will earn £910 more a year before tax and other deductions.

The National Minimum Wage for workers aged 18 to 20 will also increase by 3.9% to £11.27 per hour.

The National Minimum Wage for workers aged 16 to 17 and eligible apprentices will also increase by 3.9% to £8.31 per hour.

Trading Allowance increase

To support entrepreneurs to take the first steps in starting a small business, the government is also tripling the Trading Allowance from £1,000 to £3,000 from 6 April 2027. The trading income reporting threshold for self-assessment will also be increased to £3,000 from 6 April 2027.

There is no change to the property allowance of £1,000.

More timely payment for Self-Assessment

The government will require Income Tax Self-Assessment taxpayers who make payments on account to make more regular in-year payments towards their final tax bill from April 2029. The government will continue to work with taxpayers on details and implementation.

Making Tax Digital (MTD) for Income Tax

There will be no penalty points issued for the taxpayers who are required to join MTD from April 2027; broadly, taxpayers with relevant turnover of over £30,000. The quarterly updates must still be submitted before submission of the final tax return.

The MTD exemptions still apply until further notice for:

- Those eligible for qualifying care relief;
- Non-UK resident foreign entertainers and sportspeople

Further legislation will be introduced before April 2027.

Mileage rates

The temporary increase in tax-free mileage rates introduced in April 2026 for employees and self-employed people across the UK who use their own cars and vans for business travel is now permanent. The rate is 55p per mile for the first 10,000 business miles. The rate for business mileage exceeding 10,000 miles has also increased from 25p to 35p per mile.

Business Rates reforms

The Chancellor announced a number of business rates reforms, aimed at backing the high street, lowering the tax burden for 70,000 smaller businesses.

- **Discounts for pubs, social clubs and live music venues** – From 1 April 2027, the business rates discount in England will increase from 15% to 35%. Live music venues with a rateable value of £1 million or more are excluded from the increase. They retain the 15% discount for 2026–27, with bill increases capped at inflation for 2027–28 and 2028–29 under support announced in January 2026.
- **Small Business Rates Relief** – From 1 April 2027, eligible retail, hospitality and leisure properties in England with a rateable value up to £18,000 will pay no business rates. Relief will taper for values above £18,000 and up to £21,000. These thresholds will remain in place, subject to review at the 2029 revaluation.
- **Limits on bill increases** – Business rates increases for eligible retail, hospitality and leisure properties in England will be capped at CPI inflation for 2027–28 and 2028–29. Larger increases may apply where improvements raise the rateable value or other reliefs, including improvement and hardship relief, are lost after 1 April 2026.
- **Supporting Small Business scheme** – From 1 April 2027, the 2026 scheme in England will be extended for one year and will also cover businesses supported under the 2023 scheme.
- **Vape shops and Adult Gaming Centres** – From April 2027, these businesses in England will no longer qualify for retail, hospitality and leisure business rates multipliers. Vape shops will also lose eligibility for Small Business Rates Relief.

Final thoughts

The Autumn Budget 2026 reflects a steady approach to tax reform and an emphasis on the collection of taxes as a measure to increase tax revenues as opposed to tax increases.

Whilst tax increases were introduced for landlords and savers to continue on trends set in recent Budgets, the main focus of upcoming changes seems to be to give HMRC greater powers to collect taxes and raise compliance checks.

Many of the tax changes introduced are likely not severe enough to drive taxpayer decision-making, but the risk of HMRC investigation would be intended to encourage taxpayers to report and pay taxes in a compliant manner to drive up tax revenues.

Whilst some welcome administrative reliefs were introduced to help lower-income taxpayers, the tax measures introduced were of less significance than originally expected with no changes to inheritance tax for the first Budget in several years.

We will keep you up to date with any further information that emerges from the detail and welcome any questions you might have as a result of the 2026 Budget.

Thanks to our experts for putting together this summary:



Barry Jefferd,
Tax Partner



Jamie Spender,
Tax Director



Aida Milvydaite,
Tax Adviser

Resources

Autumn Budget 2026
George Hay – Tax Investigation Service

Biggleswade

+44 1767 315010

Brigham House, 93 High St., Biggleswade, Beds SG18 0LD

biggleswade@georgehay.co.uk

Huntingdon

+44 1480 426500

St George's House, George Street, Huntingdon, Cambs, PE29 3GH

huntingdon@georgehay.co.uk

Letchworth

+44 1462 708810

Unit 1b, Focus 4, Fourth Avenue, Letchworth Garden City, Herts, SG6 2TU

letchworth@georgehay.co.uk

George Hay is the trading style of George Hay Partnership LLP. Registered in England and Wales number OC373025. Registered Office: Brigham House, High Street, Biggleswade, Bedfordshire, SG18 0LD. Regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales.

This publication is for general guidance only. No responsibility for loss occasioned to any person acting or refraining from action because of any material in this publication can be accepted.